

Message Text

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PAGE 01 TEGUCI 00792 161556Z
ACTION OPIC-06

INFO OCT-01 ARA-06 ISO-00 COME-00 EB-08 CIAE-00 INR-07

NSAE-00 TRSE-00 /028 W

-----161601Z 065179 /40

P 161501Z FEB 77

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 5806

CONFIDENTIAL TEGUCIGALPA 0792

USDOC

FOR OPIC

E.O. 11652: GDS

TAGS: EPIN, HO

SUBJECT: COHDEFOR AS A JOINT VENTURE PARTNER

REF: STATE 033340

1. FOLLOWING IS INFORMATION REQUESTED REFTEL IN CONNECTION WITH FINANCE APPLICATION OF VALLEY PALLETS, INC. COHDEFOR (CORPORATION HONDURENO FORESTAL) IS WHOLLY GOVERNMENT-OWNED FORESTRY DEVELOPMENT COMPANY ESTABLISHED BY GOH LAW 103 IN JANUARY 1974. IT HAS RESPONSIBILITY FOR FORMULATING AND EXECUTING FORESTRY POLICY, AND IT CONTROLS ALL FOREST RESOURCES, PUBLIC AND PRIVATE. IN ADDITION TO ESTABLISHING FORESTRY MANAGEMENT AND PROTECTION PROGRAMS IT IS THE SOLE AGENCY FOR WHOLESALE AND EXPORT OF LUMBER OR LOGS. IT MAY ENGAGE IN LOGGING AND MILLING AND FORM JOINT VENTURES FOR, OR LICENSE LOGGING AND MILLING COMPANIES (LATTER MUST BE HONDURAN-OWNED). FOREIGN EQUITY PARTICIPATION IN PULP AND PAPER, PLYWOOD FURNITURE OR OTHER INTERMEDIATE OR FINAL PRODUCTS MANUFACTURING IS SUBJECT TO COHDEFOR APPROVAL.

2. EMBASSY HAS ONLY LIMITED INFORMATION ON COHDEFOR CAPITALIZATION AS LATEST ANNUAL REPORT WAS SENT TO MARTY SCHORR OF CONFIDENTIAL

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OPIC AND 1976 REPORT IS AT PRINTERS. COHDEFOR CAPITALIZED INITIALLY AT ABOUT \$1.5 MILLION 1974, AUGMENTED BY \$1 MILLION 1976. CURRENT REVENUES WERE (IN MILLIONS): 1974 \$9.6; 1975 \$42.6; 1976 \$48.6. THEY ARE EXPECTED TO DOUBLE TO OVER \$100 MILLION BY 1980. CURRENT EXPENDITURES HAVE BEEN \$5 TO \$6 MILLION SINCE 1974. CAPITAL SPENDING HAS RANGED FROM \$6 TO \$7 MILLION ANNUALLY, LEAVING SURPLUSES IN MOST YEARS. SUBSTANTIAL

FINANCING FOR FORESTRY DEVELOPMENT PROGRAM IS EXPECTED DURING EACH OF NEXT FEW YEARS AS LARGE SAWMILLS AND PULP AND PAPER PROJECT ARE ESTABLISHED. THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY HAS PROVIDED \$15 MILLION FOR EQUIPMENT AND TRAINING AND IDB SIGNED \$59.6 MILLION LOAN FOR HIGHWAYS IN FOREST ZONES. COHDEFOR'S ABILITY TO MEET OVER-RUN OBLIGATION IS ENHANCED BY ITS ROLE AS THE SOLE WHOLESALER AND EXPORTER OF LOGS AND LUMBER. THESE ACTIVITIES GENERATE MOST OF CURRENT INCOME MENTIONED ABOVE. AS NOTED BELOW, PROFITABILITY OF OPERATIONS SHOULD IMPROVE AS REVENUES DOUBLE BY 1980 AND LUMBER INDUSTRY RATIONALIZED.

3. COHDEFOR MANAGEMENT COMPRISED OF RICARDO REYES AS GENERAL MANAGER (CONSIDERED ONE OF HONDURAS' BEST MANAGERS); DEPUTY GENERAL MANAGER, LUIS FONSECA GALVAN, WHO ALSO CONSIDERED EXCELLENT MANAGER (BUT WHO WILL BE UNAVAILABLE FOR PERHAPS TWO MONTHS DUE TO AN ILLNESS); AND FIVE OR MORE DEPARTMENT HEADS FOR FORESTRY RESERVE MANAGEMENT; INDUSTRIAL OPERATIONS, MARKETING, ADMINISTRATION AND FINANCE. THIS AGENCY HAS SUFFERED FROM THE INEVITABLE PROBLEMS OF ANY NEW AGENCY IN AN LDC BECAUSE IT WAS GIVEN HEAVY COMPREHENSIVE RESPONSIBILITIES BEFORE IT HAD DEVELOPED CAPABILITIES AND STAFF. IT HAS NEVERTHELESS MADE CONSIDERABLE PROGRESS IN FOREST MANAGEMENT AND FIRE PROTECTION. REASONABLE PROGRESS MADE IN RATIONALIZATION OF THE FRAGMENTED, INEFFICIENT AND WASTEFUL INDUSTRIAL OPERATIONS IT INHERITED. THREE NEW MILLS, UPGRADING OLD ONES WILL BOOST PRODUCTION SOME PROGRESS BEING MADE IN COMMERCIALIZATION AND QUALITY CONTROL, ITS

WEAKEST AREAS. OVERALL, COHDEFOR IS CONSIDERED TO BE OPERATING

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SATISFACTORILY IN VIEW OF MASSIVE TASKS ASSIGNED.

4. NEITHER EMBASSY NOR PERSONS IN FORESTRY INDUSTRY HERE KNOW OF ANY U.S. FIRMS IN JOINT-VENTURE WITH COHDEFOR.

5. EMBASSY KNOWS OF NO REASON WHY COHDEFOR SHOULD NOT BE CONSIDERED AS JOINT-VENTURE PARTNER IN A MANUFACTURING-TYPE ACTIVITY PRODUCING A FINISHED PRODUCT.

BARTCH

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FORESTRY, JOINT VENTURES
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Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TEGUCI00792
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 33340
Retention: 0
Review Action: RELEASED, APPROVED
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Review Date: 03-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3303145
Secure: OPEN
Status: NATIVE
Subject: COHDEFOR AS A JOINT VENTURE PARTNER
TAGS: EGEN, HO, VALLEY PALLETS INC
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/00dda1c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009